

FISCAL NOTE
SB 1360 - HB 1410

March 19, 2005

SUMMARY OF BILL: Requires prescribers of pharmaceuticals to permit the pharmacist to dispense the generic equivalent to the brand name drug that was prescribed unless the following has occurred: the prescriber documents the medical necessity of a brand name drug in the patient's records due to the patient's adverse reaction to a generic equivalent; the generic equivalent is ineffective for the patient; there is another clinically-based, prescriber determined need; or the generic equivalent is not available. Requires the pharmacist to dispense the least expensive generic equivalent or one covered by the patient's drug plan when the medical necessity of the brand name drug is not documented unless the brand name is less expensive than the generic. Requires the pharmacist to notify the patient when substituting with a generic.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures – \$11,585,200/TennCare Program
Exceeds \$3,000,000/State Health Plans

Other Fiscal Impact – Decrease Federal Expenditures - \$20,771,200

Assumptions:

- The TennCare program currently has an 86% utilization rate of generic prescription drugs and would increase utilization of generic prescription drugs to 95% or 2,395,885 generics used.
- The average cost of a brand name drug is \$34.97 and the average cost of a generic drug is \$16.72 resulting in an average savings of \$18.25 per generic drug used.
- The decrease in expenditures would equal \$43,724,901 minus a 26% drug rebate; the total decrease in expenditures equals \$32,356,400. The decrease in state expenditures is \$11,585,200 at a 35.805% match rate and the decrease in federal expenditures is \$20,771,208 at a 64.195% match rate.
- To the extent the state health plans utilize a 10% shift in generic drug reimbursements, state expenditures would decrease by an amount estimated to exceed \$3,000,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director